

**STATE OF MINNESOTA
DEPARTMENT OF COMMERCE**

**Bulletin 2009 – 4
Issued October 15, 2009**

TO: All Insurance Companies licensed to write Workers Compensation Insurance in Minnesota

SUBJECT: Guidance for reporting WCRA Deficient Premium Assessment on financial statements filed on or after December 31, 2009

PURPOSE

In 2009, the Workers' Compensation Reinsurance Association (WCRA) levied an assessment on its members entitled the "Workers' Compensation Reinsurance Association Deficient Premium Assessment" (the "Assessment"). The Assessment is payable in either a lump sum, or over a period of five years beginning in 2010, with installments to be remitted semi-annually to the WCRA.

The WCRA members have requested guidance regarding the accounting and reporting of the Assessment on financial statements filed for December 31, 2009 and subsequent years.

ASSESSMENT REPORTING INSTRUCTIONS

The following guidance provides reporting entities with the appropriate accounting and reporting treatment for each remittance option. This guidance is to be considered a "**Prescribed Practice**" in accordance with Minnesota Statute 60A.13, Subd. 1 – Annual Statements required.

Option 1 – Lump Sum Remittance

a) If your company opts to pay its assessment in a lump sum, on the payment due date of July 15, 2010, then the company must accrue the entire amount as a liability on its financial statement as of December 31, 2009.

For example: EFG Ins Co. receives an assessment of \$3,750,000 and receives a discount reducing the amount payable to \$3,378,000, and the payment is due by July 15, 2010.

The company should report a liability on its December 31, 2009 annual statement in the amount of \$3,378,000 on Page 3, Line 23 – Aggregate Write-ins for Liabilities. The specific description of the Assessment should be included in the "Details of Write-ins Aggregated at Line 23 for Liabilities".

b) If your company opts to pay its assessment in a lump sum, on the payment due date of December 1, 2009, to receive a larger discount, then the company should refer to the section below titled "Income Statement" for reporting guidance.

Option 2 – Installment Payments

If your company opts to pay its assessment in five annual installments beginning July 15, 2010, it should accrue each installment in the year immediately preceding the payment due date, beginning with the annual statement filed as of **December 31, 2009**.

For example: ABC Ins Co. receives an assessment of \$3,750,000 and chooses to make five annual payments with the first installment due July 15, 2010.

The Company should report a liability in each of the five years as follows:

<i>A/S Filing date</i>	<i>Payment Due Date</i>	<i>Liability to report</i>
<i>December 31, 2009</i>	<i>July 15, 2010</i>	<i>\$750,000</i>
<i>December 31, 2010</i>	<i>January 15, 2011</i>	<i>\$750,000</i>
<i>December 31, 2011</i>	<i>January 15, 2012</i>	<i>\$750,000</i>
<i>December 31, 2012</i>	<i>January 15, 2013</i>	<i>\$750,000</i>
<i>December 31, 2013</i>	<i>January 15, 2014</i>	<i>\$750,000</i>

The amount of the annual installment should be reported in the Annual Statement on Page 3, Line 23 – Aggregate Write-ins for Liabilities. The specific description of the Assessment should be included in the “Details of Write-ins Aggregated at Line 23 for Liabilities”.

Income Statement

The amounts of the actual payments should be reported in the **Statement of Income, Line 5 – Aggregate Write-ins for Underwriting Deductions** under all scenarios described above in the year paid.

EFFECTIVE DATE

This Bulletin will be effective immediately upon date issued.

CONTACT

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